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Northern Natural Gas Company



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Report
1957*

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CORPORATE DATA

GENERAL OFFICES: 2223 Dodge Street, Omaha 1, Nebraska
INCORPORATED in the State of Delaware, April 25, 1930

CAPITAL STOCK:

5,000,000 Common shares, par value \$10 per share, authorized, 4,111,313 shares outstanding (listed on New York Stock Exchange and Midwest Stock Exchange)

TRANSFER AGENTS: The United States National Bank of Omaha
Chemical Corn Exchange Bank, New York

REGISTRARS: The Omaha National Bank, Omaha
The Hanover Bank, New York

750,000 Preferred shares, par value \$100 per share, authorized

239,300 shares 5½% cumulative outstanding (listed on New York Stock Exchange)

160,000 shares 5.80% cumulative outstanding (listed on New York Stock Exchange)

TRANSFER AGENTS: The United States National Bank of Omaha
The Chase Manhattan Bank, New York

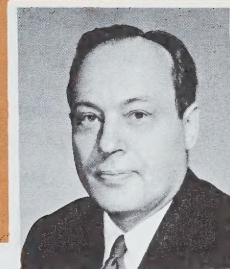
REGISTRARS: The Omaha National Bank, Omaha
The First National City Bank of New York

AUDITORS: Arthur Andersen & Co., Omaha, Nebraska

This report and the statements contained herein are submitted for the general information of the stockholders of the Company as such, and are not intended to induce, or for use in connection with, the sale or purchase of securities.

PRESIDENT'S LETTER

Report of Management:



The Company's record of progress continued in 1957.

Earnings per share for the year were \$3.74 compared with \$3.56 for the previous year. The 1957 earnings include 28¢ per share representing revenues from the increased rates filed with the Federal Power Commission and which have been collected under bond since August 27, 1957.

Dividends of 65¢ per share were paid in each of the first three quarters of the year. This amount was increased to 70¢ for the fourth quarter, making a total of \$2.65 paid for the year.

The Directors of the Company approved, subject to the approval of an increase in authorized common stock by the stockholders at the March 1958 annual meeting, a two-for-one stock split-up, effected in the form of a dividend.

Gas sales increased 63 billion cubic feet to a total of 390 billion cubic feet for the year. Revenues increased \$17.3 million to a total of \$128 million.

The Company continued to acquire additional gas reserves to enhance its ability to supply present and future markets with reserves totalling 11.9 trillion cubic feet at the year end, an increase of 1.6 trillion cubic feet over the previous year.

1957 Construction—The company constructed \$15.3 million of facilities to provide 46 million cubic feet of daily pipeline capacity to meet the requests of its customers. \$59.6 million additional was expended for gathering lines, gas wells, underground storage, distribution, pipe, compressors, etc. for planned construction and miscellaneous properties. After retirements, this brought the net property additions made in 1957 to \$72 million.

No new towns were served in 1957 as the proposed service to 213 communities was tied up in the consolidated hearing before the Federal Power Commission because of the competitive application of another pipeline proposing to serve some of these communities. This hearing was completed in January of 1958 and briefs and reply briefs will be filed by May 1958.

The company's retail Peoples Natural Gas Division acquired the gas distribution system in Dubuque, Iowa in 1957. It has a population of 58,000, making it the largest city served at retail by Northern.

Financing in 1957 consisted of the sale of \$55 million of debentures and \$16 million of preferred stock. To complete the financing of the 1957 program, \$22 million of common stock was sold in February of 1958.

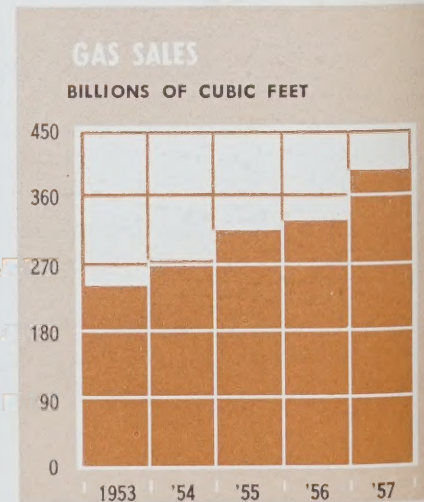
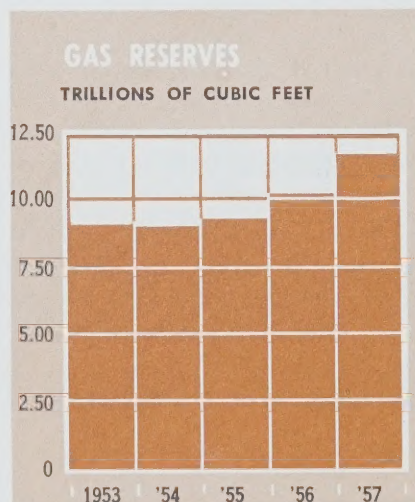
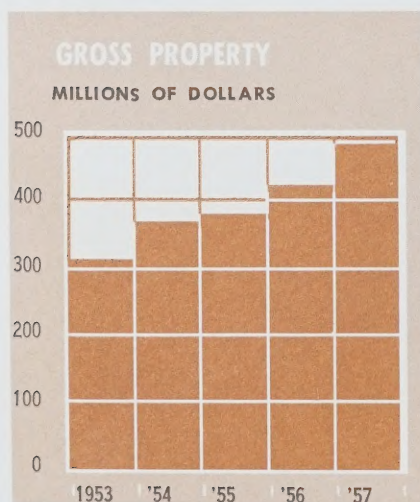
The "Memphis Case" decision of the Circuit Court in November 1957 after a U. S. Supreme Court decision in the "Mobile Case" will, if sustained by the U. S. Supreme Court, nullify the Federal Power Commission procedure for permitting rate increases under filed tariffs as presently practiced. The Company's position is that a change in our tariffs made after the "Mobile" decision meets the "Memphis Case" requirements. Our customers disagree and have requested the Federal Power Commission to dismiss our pending \$6.5 million rate increase. The U. S. Supreme Court has agreed to review the Circuit Court action in the Memphis case. If the Circuit Court decision is upheld and it is applied to Northern even with our tariff change referred to, then still further tariff changes and procedures will be needed to provide assurance that will permit construction by Northern of new capacity to meet customer growth requirements.

Kansas Minimum price. A decision of the U. S. Supreme Court has eliminated the application of the minimum wellhead price order of the Kansas Corporation Commission in the Kansas Hugoton Field to gas purchased by natural gas companies for resale in interstate commerce. A petition for rehearing has been filed. The Federal Power Commission will now have before it the question of whether or not such order, which has been filed as a rate by many producers, will be a legal rate or be reduced to the contract prices otherwise in effect.

The Company and the three other pipeline companies principally involved in the consolidated hearings before the Federal Power Commission have been subpoenaed by the Department of Justice to appear before the Federal Grand Jury in Milwaukee, Wisconsin in an investigation of certain phases of the Natural Gas Industry.

The Company's producing subsidiary drilled 26 producing gas wells in 1957, 23 of which were in the Hugoton Field. Eight wildcat wells were also drilled, 6 of which were dry holes and the balance producing gas wells. 29 producing oil wells were completed during the year, 18 of which are in the Province of Alberta, Canada. Proven gas reserves of the producing subsidiary are 1.9 trillion cubic feet after the

FIVE YEAR GROWTH RECORD 1953-1957



production of 39 billion cubic feet during the year. Oil reserves of the subsidiary totalled 6.4 million barrels, almost all of which was added in 1957. Net income of the producing subsidiary was substantially reduced in 1957 due to heavy lease charge-offs, and increased dry hole costs.

The producing subsidiary has made a gas sales contract with Westcoast Transmission Company for the sale of Northern's gas in the Savanna Creek Field in Alberta. A five year option on purchase of substantial volumes of possible excess gas from such company was granted to Northern in connection with such sale.

A new construction program of \$86,000,000 has been filed with the Federal Power Commission covering 51 million cubic feet per day of new capacity for present markets and 77 million cubic feet per day capacity for 177 new communities proposed to be served. Of this amount \$13 million will be spent the second year. Additional expenditures of \$22,000,000 are also estimated for 1958 for other projects including gas storage, new gas supplies, gas distribution systems, exploration and development of oil and gas properties and miscellaneous additions and improvements.

In July of 1957, Fred C. Koch of Wichita, Kansas, who is active in the oil and gas industry, was elected to Northern's Board of Directors. He replaced Glenn E. Nielson of Cody, Wyoming, who resigned because of increased activities in his own companies.

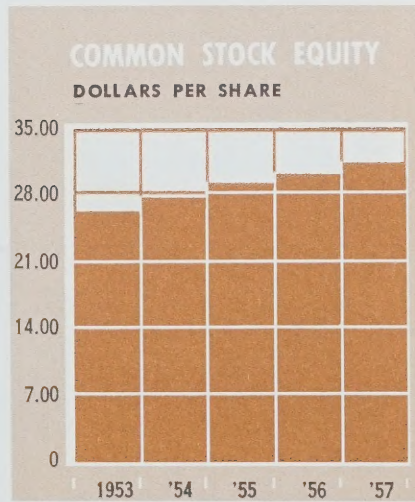
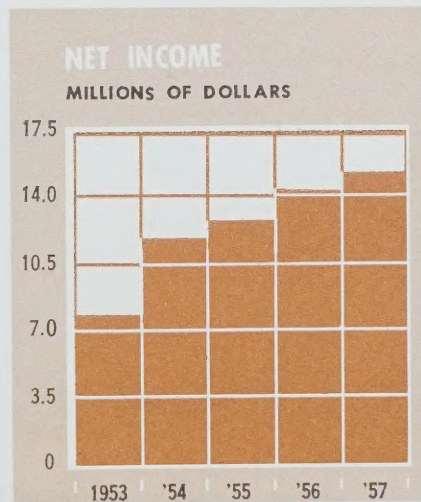
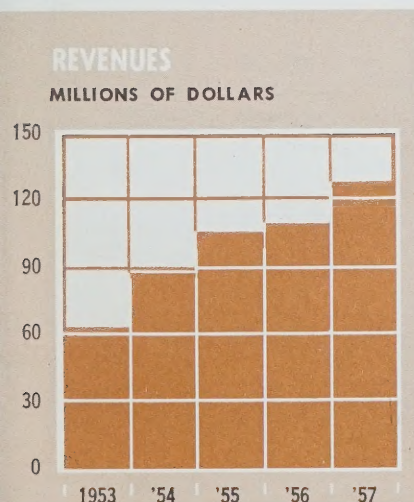
To meet the expanding organization needs of the Company, A. B. Dilworth, M. L. Mead and W. L. Shomaker were promoted to Senior Vice Presidents, with broadened executive responsibilities. They will also serve as the Executive and Policy Committee of the Company's Management Board. W. A. Strauss was promoted to the newly created position of Administrative Vice President, where he will assist the President in keeping in touch with and coordinating the various operations of the Company. Mr. Strauss also became a member of the Management Board. J. M. Barton, who has headed the exploration and development activities for several years, was elected a Vice President of Northern Natural Gas Producing Company.

FOR THE BOARD OF DIRECTORS

John F. Merriam
President.

Omaha, Nebraska.

Dated February 18, 1958.



CONSOLIDATED FINANCIAL POSITION

NORTHERN NATURAL GAS COMPANY and SUBSIDIARY COMPANIES

	December 31,	
	1957	1956
<u>Assets</u>		
PLANT, at original cost.....	\$498,680,693	\$426,434,433
Less: Reserves for depreciation and depletion.....	<u>102,835,483</u>	<u>88,783,290</u>
	\$395,845,210	\$337,651,143
INVESTMENTS in common stock of Husky Oil Company (125,000 shares) and Canadian Husky Oil Ltd. (50,000 shares), at cost.....	\$ 1,050,000	\$ 1,050,000
CURRENT ASSETS:		
Cash.....	\$ 8,619,151	\$ 9,564,315
United States Government securities.....	—	1,498,247
Receivables, less reserve for uncollectibles.....	13,663,428	11,903,268
Materials and supplies, at average cost.....	10,808,154	6,520,347
Prepayments and other.....	<u>486,285</u>	<u>385,777</u>
	\$ 33,577,018	\$ 29,871,954
DEFERRED CHARGES:		
Debt discount, premium and expense in process of amortization.....	\$ 1,305,828	\$ 516,859
Other.....	<u>861,931</u>	<u>342,528</u>
	\$ 2,167,759	\$ 859,387
	<u>\$432,639,987</u>	<u>\$369,432,484</u>
<u>Liabilities and Capital</u>		
COMMON STOCK—authorized 5,000,000 shares, par value \$10 per share; 3,654,500 shares outstanding.....	\$ 36,545,000	\$ 36,540,000
PREMIUM ON COMMON STOCK (\$38,549,768), less common and preferred stock expense.....	36,707,970	37,130,689
RETAINED EARNINGS (restricted under debenture provisions to the extent of \$20,755,551 against the payment of cash dividends or purchase of stock) (Note 1) ..	<u>40,623,251</u>	<u>36,653,376</u>
Total common stock equity.....	\$113,876,221	\$110,324,065
MINORITY INTEREST in Permian Basin Pipeline Company common stock.....	1,119,347	1,470,484
PREFERRED STOCK (see page 16).....	44,025,000	29,322,500
FUNDED DEBT (see page 16).....	<u>222,183,000</u>	<u>173,775,000</u>
Total capitalization.....	\$381,203,568	\$314,892,049
Less current redemption requirements of preferred stock and funded debt.....	<u>11,449,500</u>	<u>7,819,500</u>
Total capitalization, less current redemption requirements.....	\$369,754,068	\$307,072,549
CURRENT LIABILITIES:		
Redemption requirements of preferred stock and funded debt.....	\$ 11,449,500	\$ 7,819,500
Notes payable.....	13,175,000	18,750,000
Accounts payable.....	14,045,882	8,282,182
Accrued taxes.....	14,430,078	12,568,826
Rate refunds under settlement agreement.....	—	6,898,904
Other.....	<u>2,940,222</u>	<u>3,464,175</u>
	\$ 56,040,682	\$ 57,783,587
DEFERRED FEDERAL INCOME TAXES.....	\$ 4,589,500	\$ 2,719,100
INSURANCE RESERVES.....	\$ 1,094,423	\$ 957,326
CONTRIBUTIONS IN AID OF CONSTRUCTION.....	\$ 1,161,314	\$ 899,922
	<u>\$432,639,987</u>	<u>\$369,432,484</u>

The accompanying notes are an integral part of these statements.

Consolidated Results of OPERATIONS and RETAINED EARNINGS

NORTHERN NATURAL GAS COMPANY and SUBSIDIARY COMPANIES

	Years Ended December 31,	
	1957	1956
<u>Operations</u>		
OPERATING REVENUES:		
Gas sales.....	\$123,268,726	\$107,060,005
Gasoline and liquefied petroleum gas sales.....	1,702,284	1,934,867
Oil sales.....	669,775	1,109
Other (including transportation and processing).....	2,974,419	2,283,624
	<u>\$128,615,204</u>	<u>\$111,279,605</u>
OPERATING EXPENSES AND TAXES:		
Gas purchased.....	\$ 44,224,771	\$ 34,869,789
Operation.....	24,256,996	20,104,407
Maintenance.....	3,807,624	3,515,262
Depreciation and amortization.....	14,498,500	13,233,200
Depletion.....	423,800	151,000
Taxes, other than taxes on income.....	5,037,325	4,470,039
Taxes on income.....	14,653,200	14,862,400
	<u>\$106,902,216</u>	<u>\$ 91,206,097</u>
Net operating income.....	\$ 21,712,988	\$ 20,073,508
OTHER INCOME.....	79,343	279,546
Gross income.....	<u>\$ 21,792,331</u>	<u>\$ 20,353,054</u>
INTEREST AND OTHER DEDUCTIONS:		
Interest on funded debt.....	\$ 6,529,014	\$ 5,840,666
Interest on bank loans.....	767,825	141,832
Amortization of debt discount, premium and expense.....	24,875	64,593
Other.....	219,455	433,368
Interest charged to construction — (credit).....	(1,349,913)	(936,143)
Preferred and common stock minority interest in income of Permian Basin Pipeline Company.....	387,289	408,972
	<u>\$ 6,578,545</u>	<u>\$ 5,953,288</u>
Net income (Note 1).....	<u>\$ 15,213,786</u>	<u>\$ 14,399,766</u>
<u>Retained Earnings</u>		
Dividends paid in cash to preferred stockholders of the Company.....	1,560,461	1,375,002
Common stock equity in net income (Note 1).....	<u>\$ 13,653,325</u>	<u>\$ 13,024,764</u>
Dividends paid in cash to common stockholders of the Company.....	9,683,450	8,769,600
Net increase in retained earnings.....	\$ 3,969,875	\$ 4,255,164
Retained earnings January 1.....	36,653,376	32,398,212
Retained earnings December 31 (Note 1).....	<u>\$ 40,623,251</u>	<u>\$ 36,653,376</u>

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL

(1) RATES:

Financial statements for 1956 have been restated to reflect the final settlement of rate matters to June 27, 1956.

A rate increase, on sales subject to the Federal Power Commission's jurisdiction, of approximately \$6,500,000 annually was effectuated on August 27, 1957, under bond, subject to possible refund. This increase was applied for in February, 1957, to meet higher cost of service, which includes an increase from 6% to 6 1/4% in the rate of return on the rate base used to serve the jurisdictional business of the Company. Since August 27, 1957, approximately \$2,195,737 collected under bond subject to possible refund, has been included in reported gas sales revenues in these financial statements. If this \$2,195,737 collected under bond had been excluded from gas sales revenues, consolidated net income, common stock equity in net income, and retained earnings would have been reduced by approximately \$1,025,937.

On November 21, 1957, the United States Court of Appeals for the District of Columbia Circuit handed down its decision in the case of *Memphis Light, Gas and Water Division, et al v. Federal Power Commission*. This decision held that the provisions of the Natural Gas Act did not permit the filing by the natural gas pipeline company of a new rate under Section 4 of the Act, absent the agreement on the part of the distributing utility to the new rate so filed. The United States Supreme Court has granted certiorari for review of this decision.

On the basis of the *Memphis* decision, a number of the Company's Utility Customers have requested the Federal Power Commission to reject the above rate increase and require the Company to refund the revenues collected since August 27, 1957, attributable to the increased rates. The Company will oppose such request. The Company's existing service contracts covering sales subject to the jurisdiction of the Federal Power Commission specifically provide that the Company "shall have the right to make, and to file with the Federal Power Commission in accordance with Section 4 of the Natural Gas Act, changes in rates and new rates or rate schedules", subject to the right of the buyers to protest any such new rates and to exercise any other rights they may have under the Act.

The Company makes no representation as to the effect of the decision in the *Memphis* case (if not modified or reversed) as respects the retainability of the increase in its rates mentioned above which has been collected under bond since August 27, 1957, pursuant to filings made under Section 4 of the Act. Notwithstanding the decision in the *Memphis* case, in the opinion of Company Counsel the rates collected prior to August 27, 1957, were legal rates and are not subject to refund.

(2) SUBSIDIARIES AND PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of two wholly-owned subsidiaries, Northern Natural Gas Producing Company and Northern Plains Natural Gas Company (inactive); and one majority-owned subsidiary, Permian Basin Pipeline Company, in which the Company held 91.9% of the common stock.

All significant intercompany items have been eliminated in consolidation.

(3) CONSTRUCTION AND FINANCING:

The 1957 construction program included facilities to serve 213 new towns which were postponed due to delays in receiving regulatory authorization. The completion of such facilities are estimated to require cash amounting to \$28,000,000 and use of \$19,000,000 of material and equipment already paid for. In January, 1958, an application was filed to serve an additional 177 new towns and additional requirements of presently attached communities, at an estimated cost of approximately \$86,000,000. Estimates of 1958 expenditures, including \$11,000,000 of carry-over from 1957, for other projects range from \$33,000,000 to \$48,000,000.

These expansion plans are based upon the Company being entitled to collect rates which will reimburse it for its full cost of service, including a fair return, and will require additional financing. The amount thereof is dependent on the extent that the Company will be authorized to go forward with its plans. It appears at this time that parts of this program will extend into 1959 and 1960.

The Company has commitments of approximately \$66,000,000 for pipe to be delivered for future construction.

STATEMENTS

In early 1958, the Company sold 456,813 shares of common stock, which completed the financing for expenditures related to property additions in 1957. The Company has a revolving credit agreement for \$36,000,000 with banks pending arrangements for permanent financing of construction expenditures.

(4) STOCK OPTION PLAN:

A restricted stock option plan, as approved by the stockholders, became effective on April 28, 1956, under which options for 125,000 shares of the Company's common stock may be granted to officers and key employees of the Company and its subsidiaries. The plan is administered by a committee consisting of three members of the Board of Directors who are neither officers nor employees. The option price must be not less than 95% of the fair market value immediately preceding the granting. Options may be exercised only after two years and within ten years from the date of granting, except in case of death or retirement.

Options were outstanding for 100,100 and 96,050 shares, and 24,400 and 28,950 shares of stock were available for the granting of options at December 31, 1957, and 1956, respectively. During 1957, options were granted for 5,050 shares, exercised on 500 shares and cancelled on 500 shares.

(5) FEDERAL INCOME TAXES:

The companies follow the general practice of the industry in recording intangible well drilling costs as cost of plant and in deducting such costs as expense for income tax purposes. Recorded net income attributable to deducting intangible well drilling costs for income tax purposes approximated \$578,000 for 1957 and \$300,000 for 1956.

Northern Natural Gas Producing Company, a wholly-owned subsidiary, has carry-forward Federal income tax credits of \$1,950,000 for 1957 and \$530,000 for 1956. Such credits will, when offset by taxable income, result in the reduction of income taxes by approximately \$1,290,000 at current tax rates.

Accelerated depreciation, for Federal income tax purposes, results in the deduction of greater depreciation of the cost of property in the early years and a lesser amount in the later years of its life. This has the effect of deferring payment of a portion of the recorded Federal income tax expense until later years but does not affect recorded net income. Deferred Federal income taxes were \$1,870,400 for 1957 and \$1,206,400 for 1956.

We have examined the consolidated statement of financial position of NORTHERN NATURAL GAS COMPANY (a Delaware corporation) and subsidiary companies as of December 31, 1957, and the related statement of results of operations and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

Based upon our examination and the opinion of Company Counsel on rates collected to August 27, 1957, referred to in Note 1 and subject to the final determination of rates for the period since August 27, 1957, referred to in Note 1, in our opinion, the accompanying statements of financial position and results of operations and retained earnings present fairly the financial position of the companies at December 31, 1957, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Omaha, Nebraska,
February 7, 1958.

ARTHUR ANDERSEN & CO.

**AUDITORS'
CERTIFICATE**

SALES

WHOLESALE

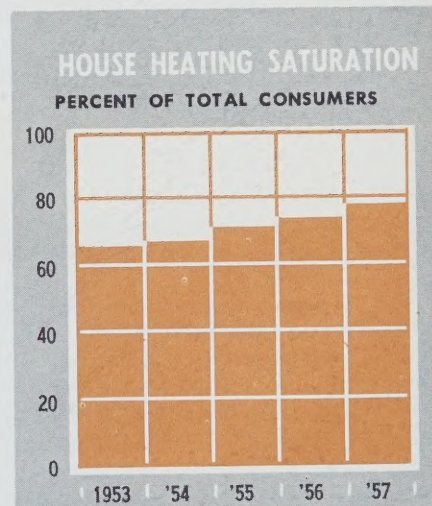
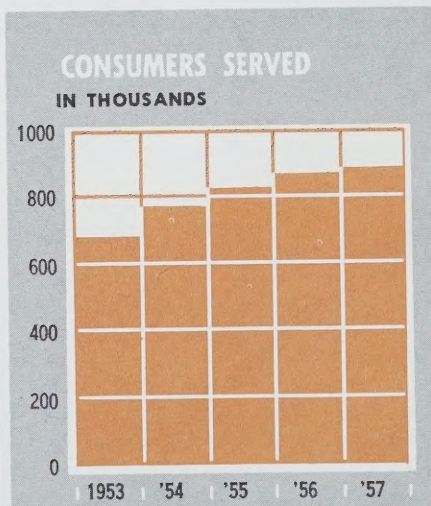
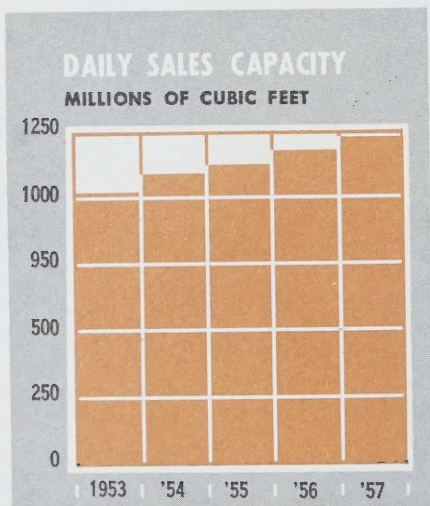
Natural gas sales again moved up during the year. There was a marked gain of 63 billion cubic feet over 1956 for a total of 390 billion cubic feet.

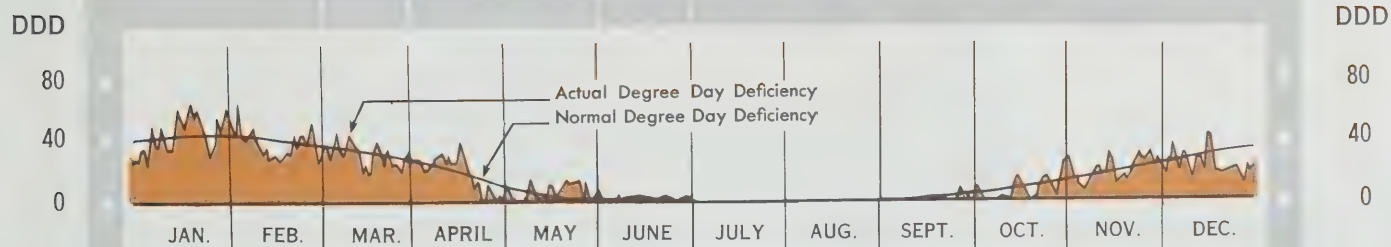
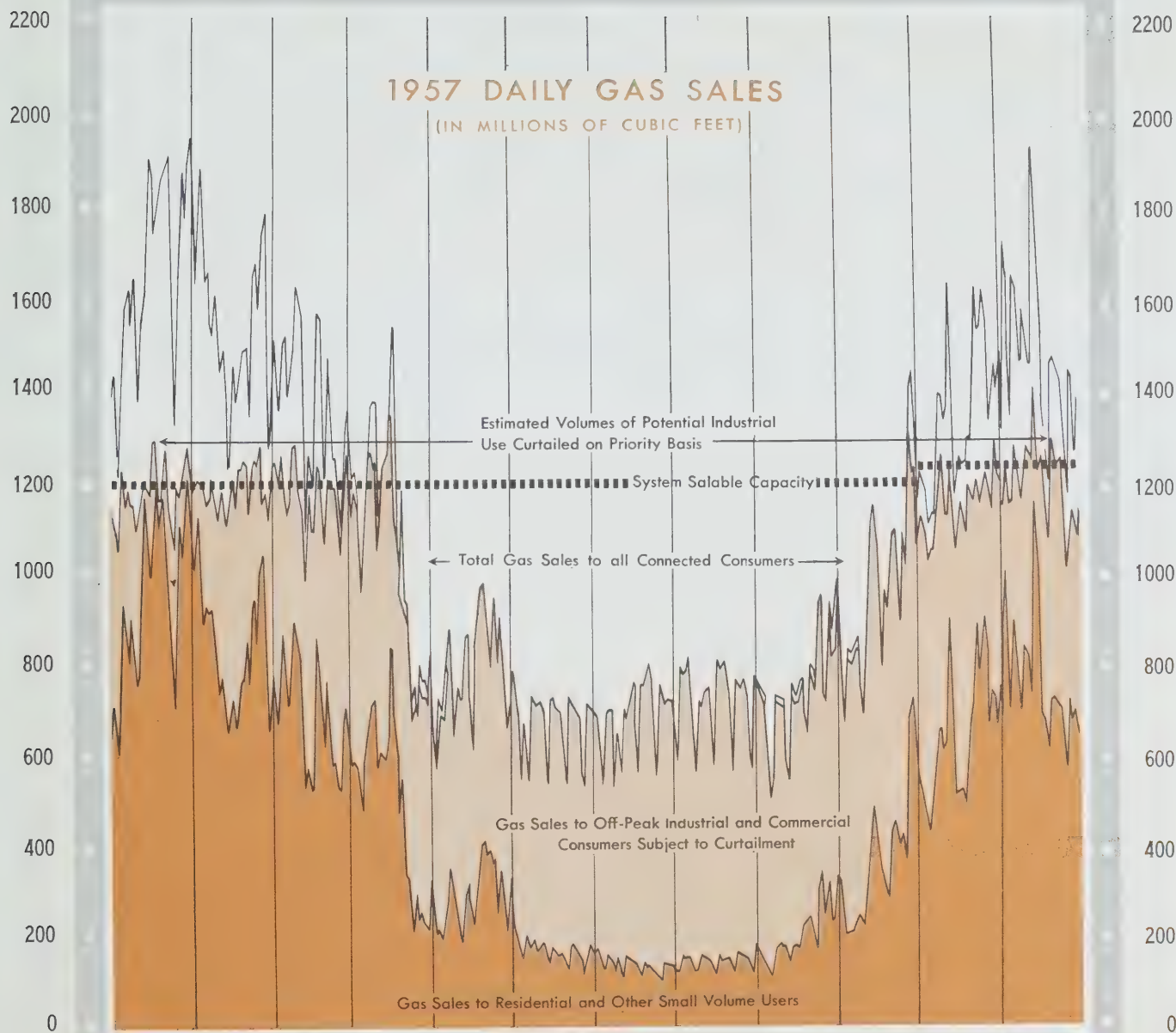
New housing incident to increased industrial activity in our market and conversion of present homes to gas in communities served in recent years added many new consumers. The company now serves 880,000 consumers in Iowa, Kansas, Minnesota, Nebraska and South Dakota. House heating consumers comprise 78% of the total.

The important large volume industrial load increased by 12 billion cubic feet as 34 consumers were added.

Present communities were supplied with all of the additional gas they needed by increasing salable capacity 46 million cubic feet daily.

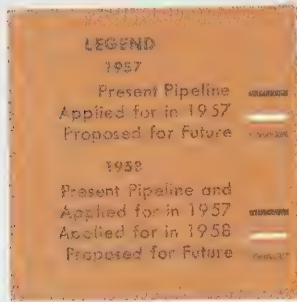
Northern has applications on file with Federal Power Commission to increase sales to present customers and to serve 390 more communities. When approval is granted, the company will be serving 774 communities, and salable capacity will reach 1,539 million cubic feet per day.





Degree Day Deficiency, reflecting outdoor temperature conditions, is an indication of fuel needed for heating and influences the daily sales.

NORTHERN'S EXPANSION PROGRAMS

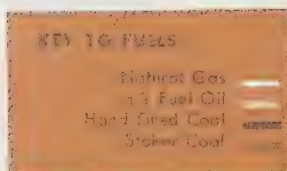
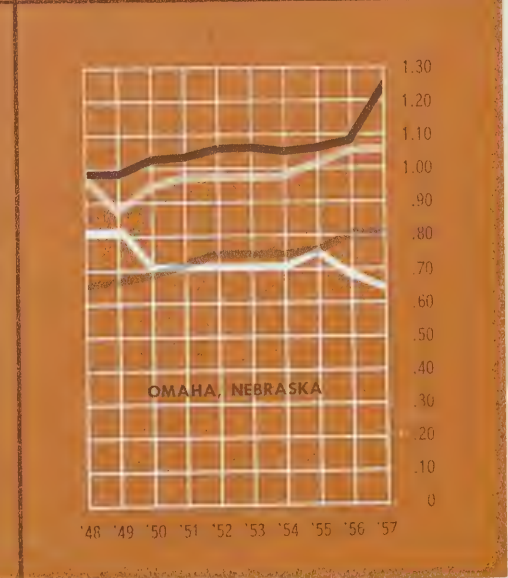
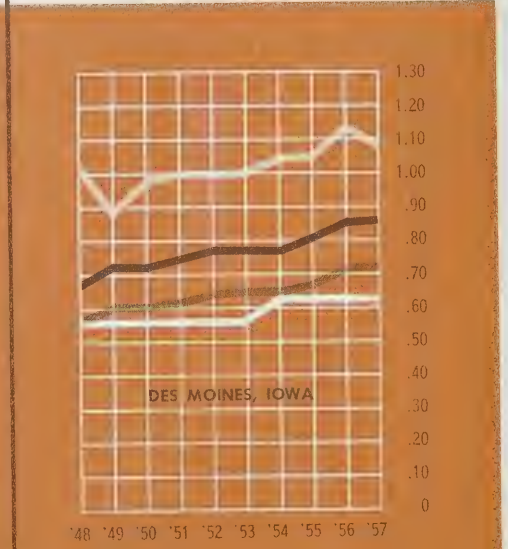
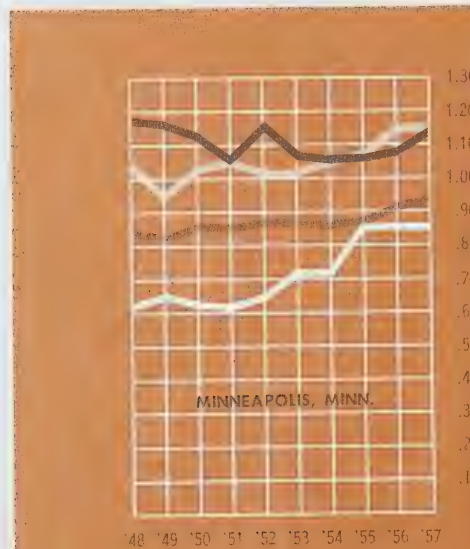


1957



1958

RELATIVE COSTS OF VARIOUS HOUSE-HEATING FUELS (IN CENTS PER MILLION BTU'S)





Dubuque, Iowa became the largest city served by Peoples Natural Gas Division when its system was purchased during the year.

SALES . . . Continued

Peoples Natural Gas, a division of Northern, distributes gas at retail in 110 communities and to 4,450 farms and industries along our line.

Peoples purchased the natural gas system in Dubuque, Iowa from North Central Public Service Company on November 1. Dubuque is the largest city served by Peoples and has a population of 58,000.

The division also added several new industrial customers during the year.

Peoples propose to distribute gas in 115 of the new communities for which applications are pending before the Federal Power Commission.

A comparison of Peoples' growth over 1956 is shown here.

RETAIL

	1957	1956
Communities Served.....	110	109
Sales in thousands of cubic feet.....	63,087,810	54,021,161
Revenues.....	\$23,211,060	\$19,726,273
Space-Heating Customers.....	72,460	65,227
Domestic Customers.....	75,196	59,182
Industrial and Commercial Customers.....	10,213	8,744
Rural Customers.....	3,830	3,615

GAS SUPPLY

Proven reserves of natural gas and oil controlled by Northern have been estimated to be 11.9 trillion cubic feet of gas as of December 31, 1957. Of these gas reserves, 1.9 trillion cubic feet are owned by Northern Natural Gas Producing Company and 10.0 trillion cubic feet are controlled by gas purchase contracts.

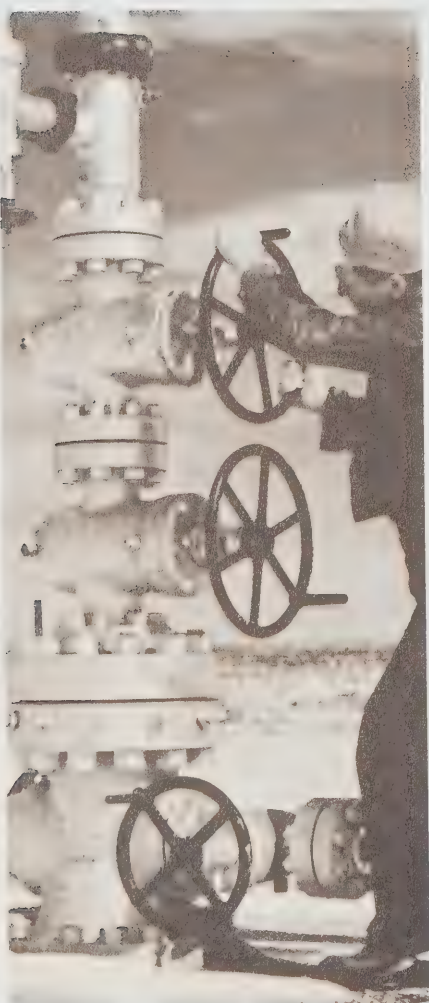
Natural gas reserves are again at an all-time high and increased by 1.6 trillion cubic feet over those controlled at the end of 1956 after allowing for gas withdrawn during the past year.

The general location of reserves at the end of the year and volumes of gas purchased and produced during the year are shown below:

<i>Field</i>	<i>Billions of Cubic Feet</i>	
	<i>Gas Reserves</i>	<i>Gas Purchased and Produced</i>
Texas Panhandle and Texas Hugoton Fields.....	1,135	103.6
Kansas Hugoton and Oklahoma Hugoton Fields.	5,585	142.2
Anadarko Basin Fields in Texas, Oklahoma and Kansas.....	1,270	33.6
Permian Basin Fields in Texas and New Mexico..	3,675	149.3
Other Fields.....	218	.3
Total.....	11,883	429.0

Northern purchased 240.7 billion cubic feet, Permian Basin Pipeline Company, a subsidiary, purchased 149.3 billion cubic feet and 39.0 billion cubic feet were produced by Northern's producing subsidiary company. The average cost of gas purchased in 1957 was 11.5¢ per thousand cubic feet, as compared to 10.7¢ in 1956.

Additional information on the exploration, development and production activities of Northern Natural Gas Producing Company and on the general activities of Permian Basin Pipeline Company are shown under the subsidiary section of this report.



Christmas tree is the colorful term used to describe the complex valves on a gas well.

UNDERGROUND STORAGE

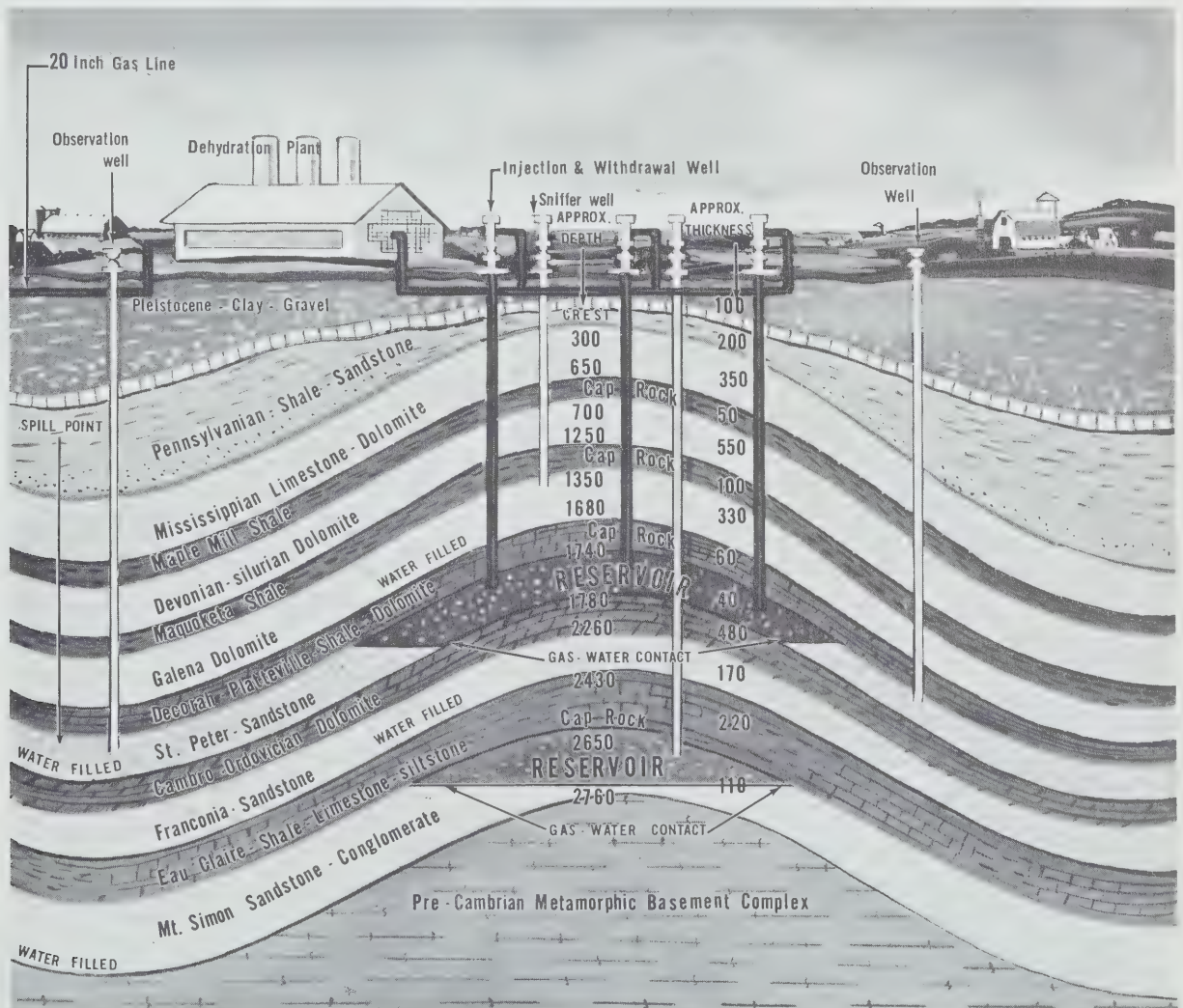
The development of the Redfield, Iowa underground storage project is continuing satisfactorily. The field was successfully tested recently with 50 million cubic feet being withdrawn each day for 20 consecutive days.

Two formations now hold gas. The St. Peter has about 12 billion cubic feet in storage and should ultimately hold about 50 billion cubic feet and deliver peak day volumes of about 200 million cubic feet per day. The Mount Simon has about one billion cubic feet stored in it and ultimately may hold about four times as much as the St. Peter or about 200 billion cubic feet.

Northern has invested \$10,000,000 in the project which will permit storage when our sales are below capacity and allow withdrawal during peak winter periods. Capacity obtained from under-ground storage is much less costly than equivalent capacity from construction of pipelines and compressors.

Federal Power Commission has just concluded a hearing which includes a request for authority to contract to sell 50 million cubic feet a day of capacity from this field. It is expected that this authority will be granted in 1958.

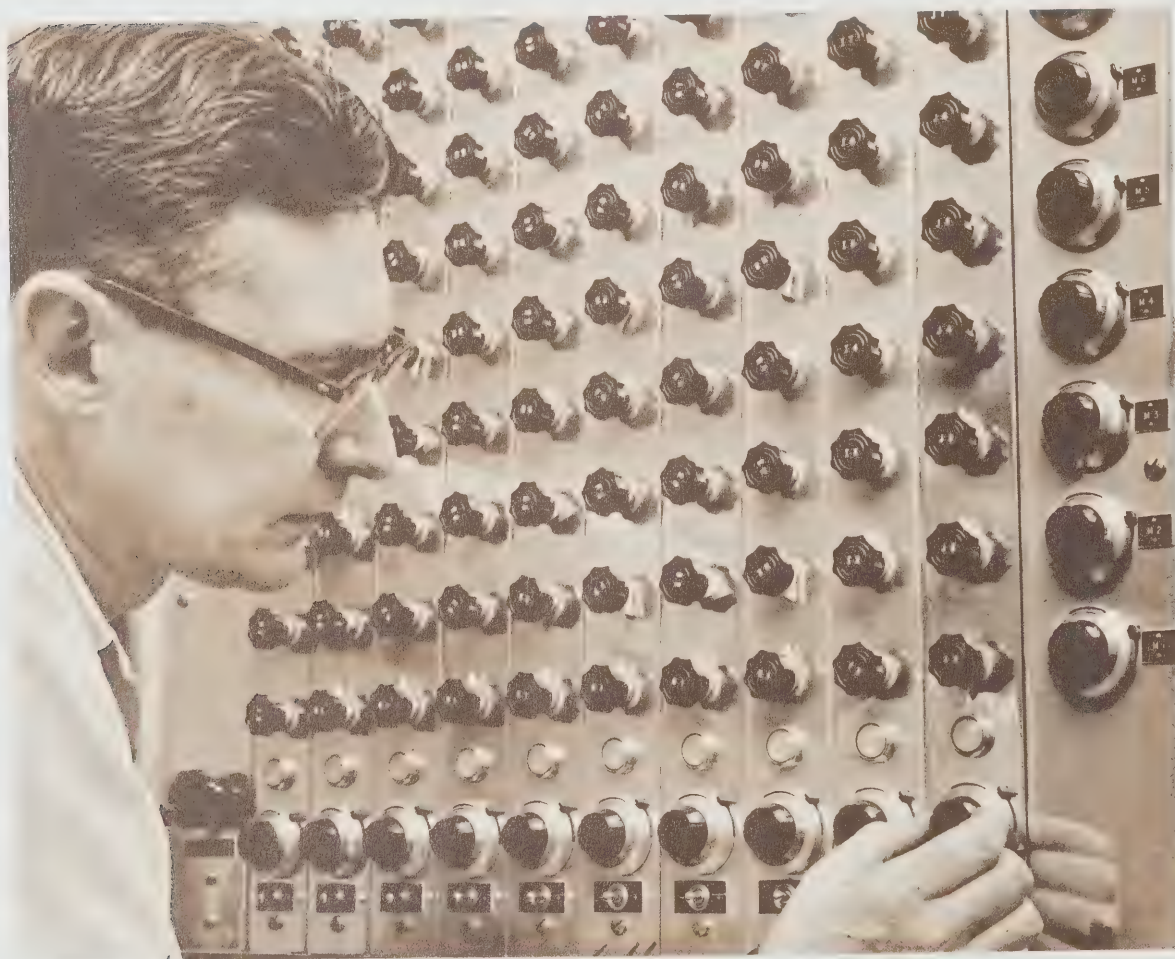
CUTAWAY OF STRATA



SYSTEM ADDITIONS

Salable capacity was increased by 46,000,000 cubic feet per day bringing the total at the end of 1957 to 1,242,000,000 cubic feet per day.

This was accomplished with the addition of 90 miles of large diameter pipeline and 17,320 horsepower at existing compressor stations. Gathering systems were also expanded to attach new gas supplies.



A company chemist operates the mass spectrometer, a highly sensitive precision electronic instrument used in the analysis of natural gas.

Two debenture issues and a preferred stock issue were sold during the year. A \$30,000,000 sinking fund debenture issue was sold in April to retire bank loans. The debentures with an interest rate of $4\frac{1}{2}\%$ were sold by Northern at 98.6 for a 4.61% cost to the company and resold by underwriters at 99.5 to yield 4.54%. A \$16,000,000 issue of 5.80% cumulative preferred stock was sold in October. This was followed by a \$25,000,000 debenture issue in December. These debentures with a $4\frac{5}{8}\%$ interest rate were sold to the public at par by the underwriting group. The net cost to the company was 4.69%. Proceeds were used for retiring a portion of the bank loans.

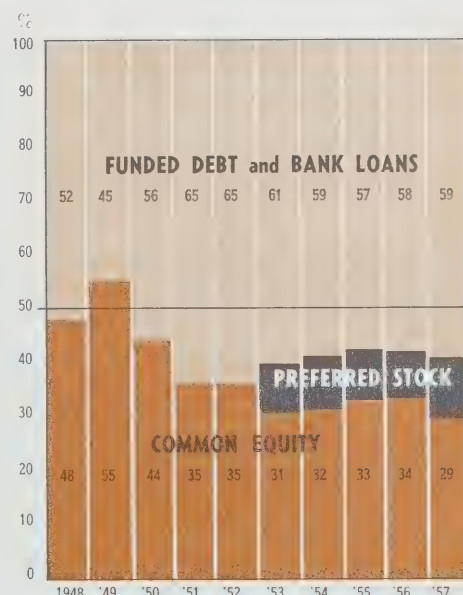
A \$36,000,000 revolving credit agreement was arranged with a group of banks for one year beginning in June of 1957 to meet construction payments as required at the prime bank rate at each time of borrowing.

Northern issued 456,813 additional shares of common stock early in 1958 to complete financing of 1957 construction expenditures. The stock was sold through an offering of rights to common stockholders to subscribe for one new share for each eight held, at the subscription price of \$47.75. The stock was fully subscribed. 98% of the stock was subscribed for through rights, and the balance through allocation of oversubscriptions.

Permian Basin Pipeline Company sold long term promissory notes amounting to \$10,000,000 to Northern in October. Permian also sold \$3,000,000 of preferred stock to the company. The interest rate on the notes is $5\frac{3}{8}\%$ and the dividend rate on the preferred stock is 6.25%. These rates were designed to include issuance expenses and were based upon independent estimates of money costs.

Cash requirements for facilities proposed in applications now pending before the Federal Power Commission to expand the company's system approximate \$114,000,000. This includes extensions and branch lines to 390 communities not presently served in addition to supplying additional requirements of present customers. Other expenditures for new gas supplies, gas distribution systems, exploration and development of oil and gas properties and miscellaneous additions and improvements are estimated at approximately \$22,000,000 in 1958. Financing plans for these expenditures will depend upon the timing of authorization and construction scheduling of the facilities involved in applications pending before the Federal Power Commission. Present plans indicate that most of the additional financing can be arranged through issuing debentures and preferred stock and no issuance of additional common stock is planned in 1958.

DEBT-EQUITY-RATIO IN PERCENT
OF TOTAL CAPITALIZATION



Repayment Schedule of Funded Debt

(Thousands of Dollars)

Year	Northern—Serial Debentures Maturing May 1				Northern—Sinking Fund Debentures Due November 1					Permian Bonds	Total
	2 $\frac{3}{8}$ % Due 1958-65	2 $\frac{1}{2}$ % Due 1958-67	3 $\frac{1}{8}$ % Due 1966-69	2 $\frac{5}{8}$ % Due 1958-70	3 $\frac{5}{8}$ % Due 1973	3 $\frac{1}{4}$ % Due 1973	3 $\frac{1}{4}$ % Due 1974	4 $\frac{1}{2}$ % Due 1976	4 $\frac{5}{8}$ % Due 1977	4 $\frac{1}{2}$ % Due 1973*	
1958†	\$ 1,600	\$ 800	\$ —	\$ 2,000	\$ 1,000	\$ 1,600	\$ 1,500	\$ —	\$ —	\$ 1,792	\$ 10,292
1959	1,600	800	—	2,000	1,000	1,600	1,500	1,500	—	1,792	11,792
1960	1,600	800	—	2,000	1,000	1,600	1,500	1,500	—	1,792	11,792
1961	1,600	800	—	2,000	1,000	1,600	1,500	1,500	1,000	1,792	12,792
1962	1,600	800	—	2,000	1,000	1,600	1,500	1,500	1,000	1,792	12,792
1963	1,600	800	—	2,000	1,000	1,600	1,500	1,500	1,000	1,792	12,792
1964	1,600	800	—	2,000	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1965	1,600	800	—	2,000	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1966	—	1,000	1,000	2,400	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1967	—	1,000	1,000	2,400	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1968	—	—	2,000	2,400	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1969	—	—	2,000	2,400	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1970	—	—	—	4,400	1,500	1,600	1,000	1,500	1,000	1,792	12,792
1971	—	—	—	—	1,500	6,000	1,000	1,500	1,000	1,792	12,792
1972	—	—	—	—	2,500	5,000	1,000	1,500	1,000	1,595	12,595
1973	—	—	—	—	2,500	5,000	1,000	1,500	1,000	—	11,000
1974	—	—	—	—	—	—	4,500	1,500	3,000	—	9,000
1975	—	—	—	—	—	—	—	3,000	3,000	—	6,000
1976	—	—	—	—	—	—	—	3,000	3,000	—	6,000
1977	—	—	—	—	—	—	—	—	3,000	—	3,000
Total	\$12,800	\$8,400	\$6,000	\$30,000	\$23,000	\$36,800	\$23,500	\$30,000	\$25,000	\$26,683	\$222,183

† Current Maturities.

* Semi-annual payments of \$896,000 due May 31 and November 30 based on current estimates of gas reserves.

Preferred Stock - Par Value \$100 per share

(Thousands of Dollars)

	Shares Authorized	Shares Outstanding	Dollar Amount Outstanding	Annual Sinking Fund Requirements				
				1958	1959-60	1961-75	1976-81	1982-85
Northern Natural Gas Company	750,000							
5 $\frac{1}{2}$ % Cumulative		239,300	\$23,930	\$ 930	\$1,000	\$1,000	\$1,000	\$—
5.80% Cumulative		160,000	16,000	—	—	640	640	640
Permian Basin Pipeline Company	100,000							
5.75% Cumulative		40,950	4,095	227.5	227.5	227.5	—	—
Total	850,000	440,250	\$44,025	\$1,157.5	\$1,227.5	\$1,867.5	\$1,640	\$640

PUBLIC RELATIONS

Northern continued to seek to integrate its attitudes and actions with that of its various publics including stockholders, utility customers, consumers, regulatory bodies and other groups interested in the company. Through advertising, press relations, films, publications, speeches and other public relations tools the company endeavors to keep its many publics fully informed of its actions.

As the company grows and progresses and its activities and relationships with its various publics become more complex it has become increasingly important for it to broaden and improve its information activities.

STOCKHOLDERS

At the end of the year there were 18,655 stockholders of record of the Common Stock of the Company, and the average number of shares held by each stockholder was 196. These holders owned the entire 3,654,500 shares outstanding and the stock was held in each of the 48 states and in several foreign countries.

Other details of holdings, by class, are shown in the following tabulation.

CLASS	Holders	Shares
Men.....	6,027	537,366
Women.....	7,823	625,838
Joint Accounts.....	2,344	125,181
Security Brokers and Dealers.....	185	204,790
Investment Companies, Mutual Funds, etc.....	22	456,534
Commercial Banks and Trusts and Their Nominees....	480	1,083,292
Insurance Companies.....	73	207,669
Institutions and Foundations.....	199	68,232
Universities, Colleges and Schools.....	105	67,108
Estates of Decedents.....	650	119,867
Corporations, Companies, Saving Banks, etc.....	162	52,686
Fiduciaries other than Commercial Banks and Trusts and Their Nominees.....	545	66,834
Employee Benefit Funds.....	40	39,103
Total All Classes.....	18,655	3,654,500



EMPLOYEES

There are 3,100 employees staffing the varied operations of the company.

A new Retirees' Medical Expense Plan was added to benefit plans making it possible for retirees to purchase, through extension of group plan hospital and surgical expense, insurance for themselves and their dependents.

Participation in the Employee Stock Purchase Plan increased and 73 percent of the employees are now in the plan. 17,618 shares of the company's common stock have been purchased for the accounts of the employees in the open market, since the plan was installed in 1956.

Results accomplished by the Manpower Development Program to evaluate key men, and the Engineering Training Program for students, have been encouraging in utilizing, to the best interests of the company, the talents available in employees.

For the fifth consecutive year a reduction has been made in the lost-time injury frequency rate for Northern. The 1957 rate of 7.74 lost-time injuries per million man hours worked is a 13 percent reduction over the 1956 rate and a 57 percent reduction over the 1952 rate.





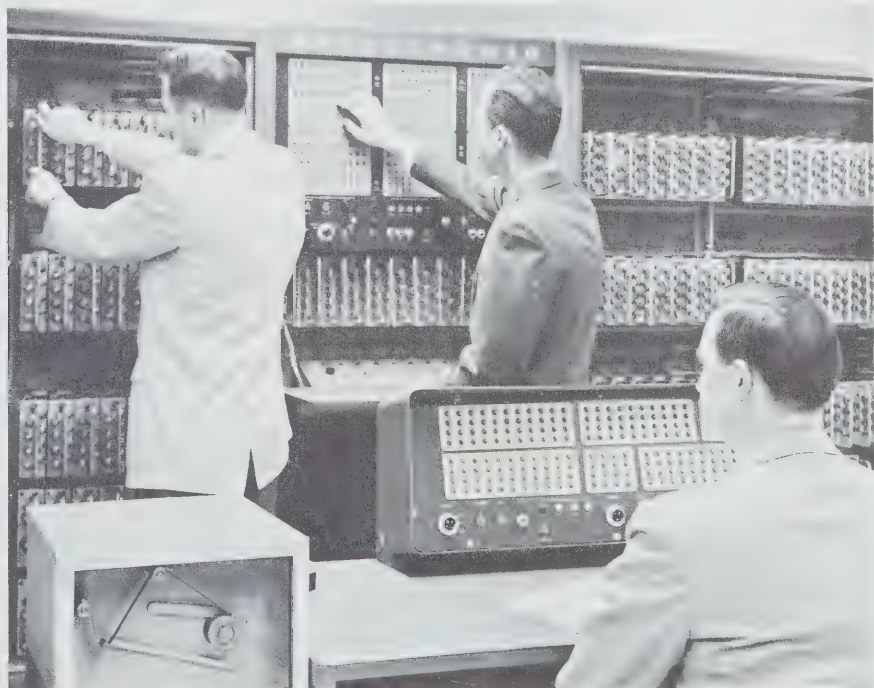
In the never ending search for gas more than 63 wells were drilled last year, of which 86% were producers.

NORTHERN AT WORK



Plants are tended around the clock as the pipeline never sleeps.

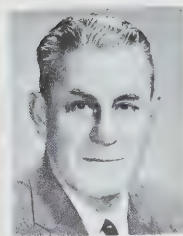
In a continuing effort to put modern business practices to work, the company in 1957 installed an electronic digital computer in its home office.



BOARD OF DIRECTORS

ARTHUR D. HYDE—Minneapolis, Minnesota . . . Vice President in charge of Research, Director, and Administrator of Mechanical and Chemical Activities, of General Mills, Inc., Minneapolis . . . Director of Munsingwear, Inc., Minneapolis, Minnesota, and of A. O. Smith Corp., Milwaukee, Wisconsin.

6 Years Service

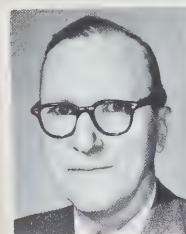


FRED C. KOCH—Wichita, Kansas . . . President and Director of Wood River Oil and Refining Company; Rock Island Oil and Refining Company; Koch Oil Corporation and Director of First National Bank of Wichita, Koch Engineering Company and Vance Oil Corporation, all of Wichita, Kansas; Trustee of Massachusetts Institute of Technology, Cambridge, Massachusetts.

Became a Director July 10, 1957

MARK H. ADAMS—Wichita, Kansas . . . Member of Board's Executive Committee; Senior partner of law firm of Adams, Jones, Robinson and Manka, Wichita; Director of Independent Natural Gas Association . . . Managing Director and Treasurer of Stevens County Oil and Gas Company, Wichita . . . President and Director of KAKE Broadcasting Company, Inc., and KAKE-TV, Inc., Director of Ortmeyer Lumber Company; Tom Palmer, Inc.; Grit Printing Company; and Kansas Independent Oil and Gas Association, all of Wichita, Kansas.

9 Years Service



JOHN F. MERRIAM—Omaha, Nebraska . . . Chairman of Board's Executive Committee; President of Company; Director of Independent Natural Gas Association; The United States National Bank of Omaha; Bankers Life Company, Des Moines, Iowa; Fairmont Foods Company, Omaha; Trustee, University of Chicago.

11 Years as Director



MAX A. MILLER—Omaha, Nebraska . . . Vice Chairman of Board's Executive Committee; Business and agricultural interests; Director of Federal Reserve Bank of Kansas City, Missouri; Union Stock Yards of Omaha; Fairmont Foods Company, Omaha; and United States Cold Storage Corporation, Chicago, Illinois.

14 Years Service



GUY E. REED—Chicago, Illinois . . . Member of Board's Executive Committee; Director of Huss-Ontonagon Pulp and Paper Company, Philadelphia, Pa.; Electric Storage Battery Company, Philadelphia, Pa.; Kawneer Company, Niles, Michigan; Leath & Co., Chicago; American Steel Foundries and Science Research Association, Chicago; and Bergstrom Paper Company, Neenah, Wisconsin.

7 Years Service

GILBERT C. SWANSON—Omaha, Nebraska . . . Vice President of Campbell Soup Company, Camden, New Jersey; Director of Northwestern Bell Telephone Company, Omaha; Merchants Refrigerating Co., New York, N. Y.; Campbell's Soups Limited, London, England; Trustee Shattuck School, Faribault, Minnesota.

1 Year Service



PRINCIPAL OFFICERS and MANAGEMENT BOARD



ASA B. DILWORTH
Senior Vice President
... Executive Committee
of Management Board
27 Years Service



MYRVEN L. MEAD
Senior Vice President
... Executive Committee
of Management Board
26 Years Service



W. LARRY SHOMAKER
Senior Vice President
... Executive Committee
of Management Board
27 Years Service

JOHN F. MERRIAM
President
27 Years Service



JOE T. INNIS
Vice President
27 Years Service



PHILLIP A. GASS
Vice President
27 Years Service



JOHN M. HANLEY
Vice President
24 Years Service



RAY L. HARRISON
Vice President
... and President of Peoples
Natural Gas Division
26 Years Service



WILLIS A. STRAUSS
Administrative Vice President
9 Years Service



BERCHEL H. HARPER
Secretary
26 Years Service



HARRY H. SIERT
Treasurer
23 Years Service



LAWRENCE I. SHAW
General Counsel
21 Years Service

NORTHERN NATURAL GAS PRODUCING COMPANY

Financial Position

Assets

	December 31,	
	1957	1956
PLANT, at original cost	\$21,663,206	\$13,281,895
Less: Reserves for depreciation and depletion	<u>2,468,751</u>	<u>1,994,648</u>
	\$19,194,455	\$11,287,247
CURRENT ASSETS:		
Cash	\$ 367,578	\$ 287,348
Receivables from Northern Natural Gas Company	507,969	503,322
Other receivables	39,816	23,539
Materials and supplies, at average cost	678,240	309,136
Prepayments	<u>1,962</u>	<u>3,327</u>
	\$ 1,595,595	\$ 1,126,672
DEFERRED CHARGES	\$ 396,273	\$ 78,664
	<u>\$21,186,323</u>	<u>\$12,492,583</u>

Liabilities and Capital

COMMON STOCK — (all held by Northern Natural Gas Company)	\$11,904,831	\$ 7,029,315
RETAINED EARNINGS	<u>5,519,691</u>	<u>4,836,573</u>
Total capitalization	\$17,424,522	\$11,865,888
CURRENT LIABILITIES:		
Notes payable to Northern Natural Gas Company	\$ 3,100,000	\$ 200,000
Accounts payable	529,684	343,618
Accrued taxes	<u>87,392</u>	<u>52,399</u>
	\$ 3,717,076	\$ 596,017
INSURANCE RESERVES	\$ 44,725	\$ 30,678
	<u>\$21,186,323</u>	<u>\$12,492,583</u>

Results of Operations and Retained Earnings

Operations

	Years Ended December 31,	
	1957	1956
OPERATING REVENUES:		
Gas sales to Northern Natural Gas Company	\$4,107,500	\$3,587,857
Gas sales to others	31,776	15,303
Oil sales	142,326	1,109
Other	<u>2,634</u>	<u>2,708</u>
	\$4,287,236	\$3,606,977
OPERATING EXPENSES AND TAXES:		
Operation	\$3,108,504	\$1,961,028
Maintenance	5,221	5,490
Depreciation	35,900	22,200
Depletion	245,500	151,000
Taxes, other than taxes on income	151,249	118,140
Taxes on income	<u>16,500</u>	<u>59,200</u>
	\$3,562,874	\$2,317,058
Net operating income	\$ 724,362	\$1,289,919
OTHER INCOME	—	2,893
Gross income	\$ 724,362	\$1,292,812
INTEREST DEDUCTIONS:		
Interest to Northern Natural Gas Company	\$ 41,241	\$ 1,327
Other interest	<u>3</u>	<u>3,479</u>
	\$ 41,244	\$ 4,806
Net income	\$ 683,118	\$1,288,006

Retained Earnings

Retained earnings January 1	4,836,573	3,548,567
Retained earnings December 31	<u>\$5,519,691</u>	<u>\$4,836,573</u>

PRODUCING COMPANY IN 1957

The operations of Northern Natural Gas Producing Company, a wholly-owned subsidiary, consist of gas and oil exploration and production. 1957 was the company's most active year.

Operating revenues increased 18% to \$4,287,236.

Earnings for the year of \$683,118 were \$604,888 less than last year. In addition to operating expenses of producing and marketing oil and gas, exploration expenses for the year were \$2,224,359.

Federal income tax credits carried forward at the end of the year of \$1,950,000 for 1957 and \$530,000 for 1956, when offset by taxable income, will reduce income taxes approximately \$1,290,000 at current tax rates.

Cash generated from operations, less exploration expenses of \$2,224,359 mentioned above, totaled \$1,533,550. Cash from other sources and from notes and stock issued to Northern Natural Gas Company increased cash provided to the company during the year to \$9,339,646. Of this amount, \$8,907,028 was expended for investments in gas and oil properties and the remainder provided \$432,618 additional working capital.

In addition to the company's contribution toward the drilling of 34 exploratory wells by others resulting in 27 dry holes and 7 producers, its drilling program completed 63.8 wells including 29 oil wells, 26.2 gas wells, and 8.6 dry holes. 86.5% of all wells completed in this latter program were producers. During the year, 8 new gas and oil fields were discovered by wells drilled on or offsetting the company's leases. The company has completed 10 wells in four of these new fields.

This year, the company's oil reserves were increased from 224,000 to 6,400,000 barrels after producing 250,000 barrels. Gas reserves at the year end were 1.9 trillion cubic feet after producing 39 billion cubic feet.

At the end of the year the company owned 346.6 net gas wells and 30 oil wells on 213,258 net acres of developed gas leases and 3,835 net acres of developed oil leases. Undeveloped leases in all areas amounted to 913,845 net acres. The developed and undeveloped leased gas and oil lands totaled 1,132,938 net acres.

The company's 32.5% ownership in the Savanna Creek field in Alberta, Canada continues to look good. Three gas wells have been completed, one dry hole drilled, and three wells are now being drilled. In this area an average of approximately 14 months has been required to complete a well and the cost per well has averaged approximately \$1,000,000. Gas reserves are being developed and appear substantial.

The future outlook is for continuing growth and expansion of business. As in the past, such growth will require large yearly capital expenditures.



PERMIAN BASIN PIPELINE COMPANY

Financial Position

Assets

GAS PLANT, at original cost	\$70,038,114	\$54,765,147
Less: Reserve for depreciation	7,126,419	4,930,368
	<u>\$62,911,695</u>	<u>\$49,834,779</u>
CURRENT ASSETS (including receivables from Northern Natural Gas Company of \$810,227 and \$1,302,067 for 1957 and 1956, respectively)	3,051,632	4,803,504
DEFERRED CHARGES	288,442	312,006
	<u>\$66,251,769</u>	<u>\$54,950,289</u>

Liabilities and Capital

COMMON STOCK — (91.9% held by Northern Natural Gas Company)	\$ 2,479,500	\$ 1,653,000
PREMIUM ON COMMON STOCK, less common and preferred stock expense	8,425,362	5,137,202
RETAINED EARNINGS	2,900,736	2,219,006
Total common stock equity	<u>\$13,805,598</u>	<u>\$ 9,009,208</u>
PREFERRED STOCK (\$3,000,000 held by Northern Natural Gas Company)	7,095,000	4,322,500
FUNDED DEBT (\$10,000,000 held by Northern Natural Gas Company)	36,683,000	28,475,000
Total capitalization	<u>\$57,583,598</u>	<u>\$41,806,708</u>
Less current redemption requirements	2,519,500	2,019,500
Total capitalization, less current redemption requirements	<u>\$55,064,098</u>	<u>\$39,787,208</u>
CURRENT LIABILITIES:		
Redemption requirements of preferred stock and funded debt	\$ 2,519,500	\$ 2,019,500
Notes payable to Northern Natural Gas Company	2,900,000	9,300,000
Other	4,683,893	3,242,888
	<u>\$10,103,393</u>	<u>\$14,562,388</u>
OTHER CREDITS	<u>\$ 1,084,278</u>	<u>\$ 600,693</u>
	<u>\$66,251,769</u>	<u>\$54,950,289</u>

Results of Operations and Retained Earnings

Operations

OPERATING REVENUES:		
Gas sales to Northern Natural Gas Company	\$18,610,990	\$15,418,602
Gas sales to others	4,421,815	171,385
Gasoline and liquefied petroleum gas sales	869,574	995,022
Other (including transportation and processing)	2,852,529	2,177,000
	<u>\$26,754,908</u>	<u>\$18,762,009</u>
OPERATING EXPENSES AND TAXES:		
Gas purchased	\$16,658,679	\$10,519,123
Operation and maintenance	3,226,526	2,311,258
Depreciation	2,348,600	1,948,000
Taxes, other than taxes on income	297,958	279,163
Taxes on income	1,299,000	1,211,900
	<u>\$23,830,763</u>	<u>\$16,269,444</u>
Net operating income	<u>\$ 2,924,145</u>	<u>\$ 2,492,565</u>
OTHER INCOME	7,557	14,792
Gross income	<u>\$ 2,931,702</u>	<u>\$ 2,507,357</u>
INTEREST DEDUCTIONS(Net)	1,605,533	1,342,983
Net income	<u>\$ 1,326,169</u>	<u>\$ 1,164,374</u>

Retained Earnings

Dividends paid in cash to preferred stockholders	272,514	261,625
Common stock equity in net income	<u>\$ 1,053,655</u>	<u>\$ 902,749</u>
Dividends paid in cash to common stockholders	371,925	330,600
Net increase in retained earnings	<u>\$ 681,730</u>	<u>\$ 572,149</u>
Retained earnings January 1	2,219,006	1,646,857
Retained earnings December 31	<u>\$ 2,900,736</u>	<u>\$ 2,219,006</u>

PERMIAN IN 1957

Permian Basin Pipeline Company operates in the Permian Basin geographic area of West Texas and New Mexico. Its principal activity is to purchase, gather, process, transmit and sell natural gas to Northern Natural Gas Company. This Company is a 92% owned subsidiary of Northern.

Proven reserves of natural gas controlled by Permian have been estimated to be 3.7 trillion cubic feet as of December 31, 1957. Such reserves increased by more than 700 billion cubic feet over those controlled at the end of 1956 after allowing for gas withdrawn during the past year.

The general location of reserves at the end of the year and volumes of gas purchased from various fields during the year are shown below:

<i>Field</i>	<i>Billions of Cubic Feet</i>	
	<u>Gas Reserves</u>	<u>Gas Purchased</u>
Puckett Field.....	1,648	31.8
Spraberry Trend Area.....	101	27.1
Andrews County Fields.....	352	24.3
Lea County, New Mexico Wellhead.....	1,309	60.3
Other Fields.....	265	5.8
Total.....	3,675	149.3

A \$16 million construction program for additional processing facilities, pipelines and compressors was completed during 1957. Permian's system salable daily capacity to Northern was increased from 300 to 375 million cubic feet.

Northern's interest in Permian's net income for 1957 contributed 26¢ per share to the total net income per share of Northern's common stock.



Permian's Mitchell Carbon Dioxide Plant is unique in that it is the largest of its type in the world.

HISTORICAL SUMMARY

Year	Volume of Sales (in MCF)	Operating Revenues (in Thousands)	Operating Expenses and Taxes (in Thousands)	Preferred Stock Dividends (in Thousands)	Earned on Common Stock		Common Stock Dividends		Shares of Common Stock Outstanding* (in Thousands)	Retained Earnings (in Thousands)
					Total (in Thousands)	Per Share*	Total (in Thousands)	Per Share*		
1930	1,011,869	\$ 287	\$ 237	\$ —	\$ 286	\$.29	\$ —	\$ —	1,000	\$ 286
1931	8,189,154	1,793	1,784	—	(32)	(.02)	—	—	2,000	254
1932	16,248,800	3,634	2,661	—	47	.02	—	—	2,000	302
1933	22,945,565	5,051	3,381	—	532	.26	300	.15	2,030	534
1934	29,428,151	6,356	4,516	—	746	.37	—	—	2,030	1,280
1935	35,413,769	7,896	5,110	15	1,911	.94	1,624	.80	2,030	1,567
1936	40,102,157	9,038	6,025	—	2,194	1.08	1,827	.90	2,030	1,934
1937	42,994,213	9,775	6,117	—	2,862	1.41	2,233	1.10	2,030	2,563
1938	44,018,951	9,960	6,442	—	2,686	1.32	2,233	1.10	2,030	2,970
1939	49,993,816	11,194	6,877	—	3,618	1.78	2,842	1.40	2,030	2,845
1940	55,873,808	12,857	8,507	—	3,708	1.83	2,842	1.40	2,030	3,711
1941	59,822,658	13,852	9,904	—	3,347	1.65	2,639	1.30	2,030	3,612
1942	68,052,015	15,629	11,569	—	3,461	1.70	2,335	1.15	2,030	4,713
1943	74,671,379	15,363	11,249	—	3,546	1.75	2,030	1.00	2,030	6,166
1944	79,664,419	16,061	11,769	—	3,764	1.85	2,182	1.08	2,030	7,742
1945	82,951,401	17,178	12,481	—	4,206	2.07	2,538	1.25	2,030	8,912
1946	93,108,674	19,369	13,514	—	5,446	2.68	3,045	1.50	2,030	11,314
1947	110,623,704	23,572	16,524	—	6,557	3.23	3,248	1.60	2,030	14,623
1948	133,574,946	26,849	19,824	—	6,329	3.12	3,654	1.80	2,030	17,298
1949	148,951,484	29,296	22,611	—	6,064	2.49	4,202	1.80	2,436	18,661
1950	167,253,515	32,988	25,825	—	5,845	2.13	4,796	1.80	2,741	19,711
1951	199,453,920	44,824	35,953	—	6,977	2.55	4,933	1.80	2,741	21,660
1952	222,488,146	55,234	44,925	—	7,789	2.84	4,933	1.80	2,741	24,509
1953	242,886,404	63,333	52,640	367	7,287	2.22	5,673	1.80	3,289	26,123
1954	273,088,117	89,240	72,519	1,375	10,102	2.76	6,778	1.95	3,654	28,248
1955	303,520,708	104,368	85,098	1,375	11,468	3.14	7,491	2.05	3,654	32,398
1956	326,091,203	111,280	91,206	1,375	13,025	3.56	8,770	2.40	3,654	36,653
1957	389,553,350	128,615	106,902	1,560	13,653	3.74	9,683	2.65	3,654	40,623

*Adjusted to present \$10 par value Common Stock.

NORTHERN NATURAL GAS COMPANY AND SUBSIDIARIES

YEARS ENDING DECEMBER 31

Common Stock Equity		Funded Debt (in Thousands)	Total Capital- ization (in Thousands)	Gross Property (in Thousands)	Net Property (in Thousands)	Miles of Pipeline	Installed Horse- power	System Salable Capacity (in MMCF)	Number of Communities Served	Population Served (in Thousands)	Year
Total (in Thousands)	Per Share*										
\$ 10,286	\$10.29	\$ —	\$ 10,286	\$ 20,053	\$ 19,984	661	5,500	20	44	188	1930
17,254	8.63	—	17,254	33,458	33,121	1,806	13,200	52	114	502	1931
19,275	9.64	—	19,275	35,683	35,079	2,002	13,200	114	147	679	1932
19,807	9.76	—	20,413	37,835	36,646	2,100	16,000	130	154	704	1933
20,576	10.14	—	21,159	38,364	35,936	2,124	19,100	142	162	1,395	1934
20,997	10.34	16,000	37,045	39,424	35,792	2,136	28,350	148	168	1,404	1935
21,418	10.55	17,300	38,742	41,816	36,969	2,245	35,050	157	170	1,405	1936
22,056	10.87	15,718	37,774	44,341	38,125	2,339	40,900	174	174	1,424	1937
22,463	11.07	17,146	39,609	45,910	38,196	2,468	41,850	186	178	1,433	1938
22,338	11.00	22,000	44,338	50,908	41,714	2,878	43,250	199	208	1,489	1939
23,204	11.43	21,000	44,204	54,064	43,201	3,031	51,050	222	220	1,654	1940
23,912	11.78	20,000	43,912	56,386	43,728	3,808	56,650	244	224	1,657	1941
25,013	12.32	19,000	44,013	57,028	42,459	3,824	58,900	250	227	1,963	1942
26,466	13.04	18,000	44,466	58,649	41,983	3,862	60,510	250	227	1,963	1943
28,042	13.81	17,000	45,042	60,722	42,057	3,891	68,210	250	227	1,963	1944
29,212	14.39	25,000	54,212	64,736	44,105	4,005	71,010	276	227	1,963	1945
31,614	15.57	25,000	56,614	74,835	52,125	4,301	71,010	322	234	1,986	1946
34,923	17.20	35,000	69,923	90,283	65,445	4,678	114,910	403	239	1,997	1947
37,598	18.52	41,000	78,598	102,627	75,086	4,852	130,510	437	242	2,010	1948
50,853	20.88	41,000	91,853	117,577	87,856	5,163	144,540	489	249	2,033	1949
61,417	22.41	79,500	140,917	166,097	133,447	6,176	183,360	612	255	2,379	1950
63,366	23.12	78,000	141,366	213,775	176,008	6,706	248,800	674	258	2,383	1951
66,215	24.16	76,500	142,715	231,791	186,013	7,008	260,440	734	263	2,393	1952
86,015	26.16	172,166	284,294	315,868	263,488	8,302	407,480	1,007	269	2,408	1953
101,919	27.89	192,621	325,342	371,903	308,168	9,723	432,200	1,100	349	2,696	1954
106,069	29.02	184,417	321,413	381,966	305,781	10,175	436,200	1,130	349	2,696	1955
110,324	30.19	173,775	314,892	426,434	337,651	10,767	467,830	1,196	384	2,820	1956
113,876	31.16	222,183	381,204	498,681	395,845	11,535	503,480	1,242	384	2,820	1957

ANNUAL MEETING OF STOCKHOLDERS

THE 1958 ANNUAL MEETING OF STOCKHOLDERS WILL BE
HELD ON MARCH 19, 1958 IN OMAHA, NEBRASKA.

INFORMATION WITH RESPECT TO SUCH MEETING IS
CONTAINED IN THE PROXY MATERIAL WHICH IS ENCLOSED
HEREWITH. THIS ANNUAL REPORT IS NOT TO BE DEEMED
A PART OF SUCH PROXY SOLICITING MATERIAL.



FOLD OUT SYSTEM MAP



MAP OF UNITED STATES SHOWING LOCATION
OF NORTHERN'S PIPELINES IN RELATION
TO OTHER PIPELINES

- Northern's system
 Generalized area of natural gas supply
 Major sources of natural gas supply

Other Natural Gas Pipelines

- Existing lines
 - - - - - Approved or under construction
- 1 Algonquin Gas Transmission Company
 - 2 American-Louisiana Pipe Line Company
 - 3 Colorado Interstate Gas Company
 - 4 El Paso Natural Gas Company
 - 5 Kansas-Nebraska Natural Gas Company
 - 6 Michigan-Wisconsin Pipe Line Company
 - 7 Mississippi River Fuel Corporation
 - 8 Montana-Dakota Utilities Company
 - 9 Natural Gas Pipeline Company of America
 - 10 Pacific Northwest Pipeline Corporation
 - 11 Panhandle Eastern Pipe Line Company
 - 12 Southern Natural Gas Company
 - 13 Tennessee Gas Transmission Company
 - 14 Texas Eastern Transmission Corporation
 - 15 Texas Gas Transmission Corporation
 - 16 Texas Illinois Natural Gas Pipe Line Company
 - 17 Transcontinental Gas Pipe Line Corporation
 - 18 Gulf Interstate Gas Company
 - 19 Trans-Canada Pipe Lines Limited
 - 20 Alberta Gas Trunk Line Company Limited
 - 21 Westcoast Transmission Company
 - 22 Montana Power Company
 - 23 Houston Texas Gas & Oil Corporation
 - 24 Trunkline Gas Company
 - 25 Coastal Transmission Corporation

LIFT UP FOR SYSTEM MAP



Northern
NATURAL GAS